

THE NEW REALITIES OF PREMIUM MOBILITY

A STUDY FROM MCKINSEY & COMPANY



BMW Group Latin America | Jan. 2020 |
Marco Blanco Phillips



HEADLINES ON E-MOBILITY.

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Jun 16, 2019 - 08:33 pm

FCA teams up with Engie & Enel X for charging solutions

CHARGING INFRASTRUCTURE ENEL X ENGIE EUROPE FCA ITALY



Fiat Chrysler Automobiles (FCA) has concluded two cooperations for future electric cars and plug-in hybrids provide for the installation of charging stations in Italy and infrastructure in 14 other European countries for FCA.

Fiat Chrysler Automobiles (FCA) is moving (albeit late) on e-mobility. The latest cooperations see the group team up with both Enel and Engie. The agreement with Enel asks for the installation of approximately 700 charging stations over the next two years at FCA's plants, offices, research and development centres and

employee parking facilities in Italy. There will also be cooperation agreements in Spain and Portugal to offer end customers wall boxes and other charging services.

Tesla announce a profitable Q3: After two quarters of losses, Tesla closed the third quarter of 2019 with a profit.

Volvo will go electric in October (2019): Volvo Cars announced the presentation of its first electric model –the electric version of the XC40

Sep 21, 2019 - 10:55 pm

Aiways U5 first China EV to gain EU type approval

There were more than **68,800 charging points for electric cars** in public and semi-public spaces in the United States in May 2019,

BMW doubles battery production capacity in Spartenburg, USA for their upcoming plug-in hybrid models.

Oct 23, 2019 - 12:55 pm

Mazda introduces their first electric car MX-30

BMW i3s, vehículo oficial del Maratón de la CDMX Telcel 2019

Hace 3 días



HEADLINES ON E-MOBILITY.



- **Volkswagen goes for PHEV variants for the Golf:** Volkswagen wants to offer two plug-in hybrid variants for the next generation of the Golf. The two variants should cater to drivers wanting a standard PHEV, as well as those wanting a performance-focused plug-in hybrid.
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- **Lexus announces first BEV:** In November, Lexus will present its first battery-electric vehicle. The announcement was made by the Toyota luxury brand at the Tokyo Motor Show, where Lexus is already presenting its „vision for the next generation of electrified vehicles“ with the futuristic LF-30 Electrified Concept.
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- **Mazda introduces their first BEV:** The electric SUV MX-30 is equipped with a 35.5 kWh battery and can now be reserved. However, sales in Europe will not start until late 2020, with a First Edition starting at 33,990 Euros in Germany.
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HEADLINES ON E-MOBILITY.



- **First China EV approved for sale across EU:** TÜV Rheinland has given Aiyas the EU-wide type approval of the Aiyas U5 electric vehicle, allegedly a first in Europe. Aiyas reportedly wants to offer the electric car in Europe from 2020.
[Continue reading on electrive.com >>](#)



- **Video tip:** In 2021, Mercedes plans to launch the new compact SUV GLB as a fully electric model EQB. A newly released video now shows an EQB prototype undergoing testing.
[insideevs.com](https://www.insideevs.com)



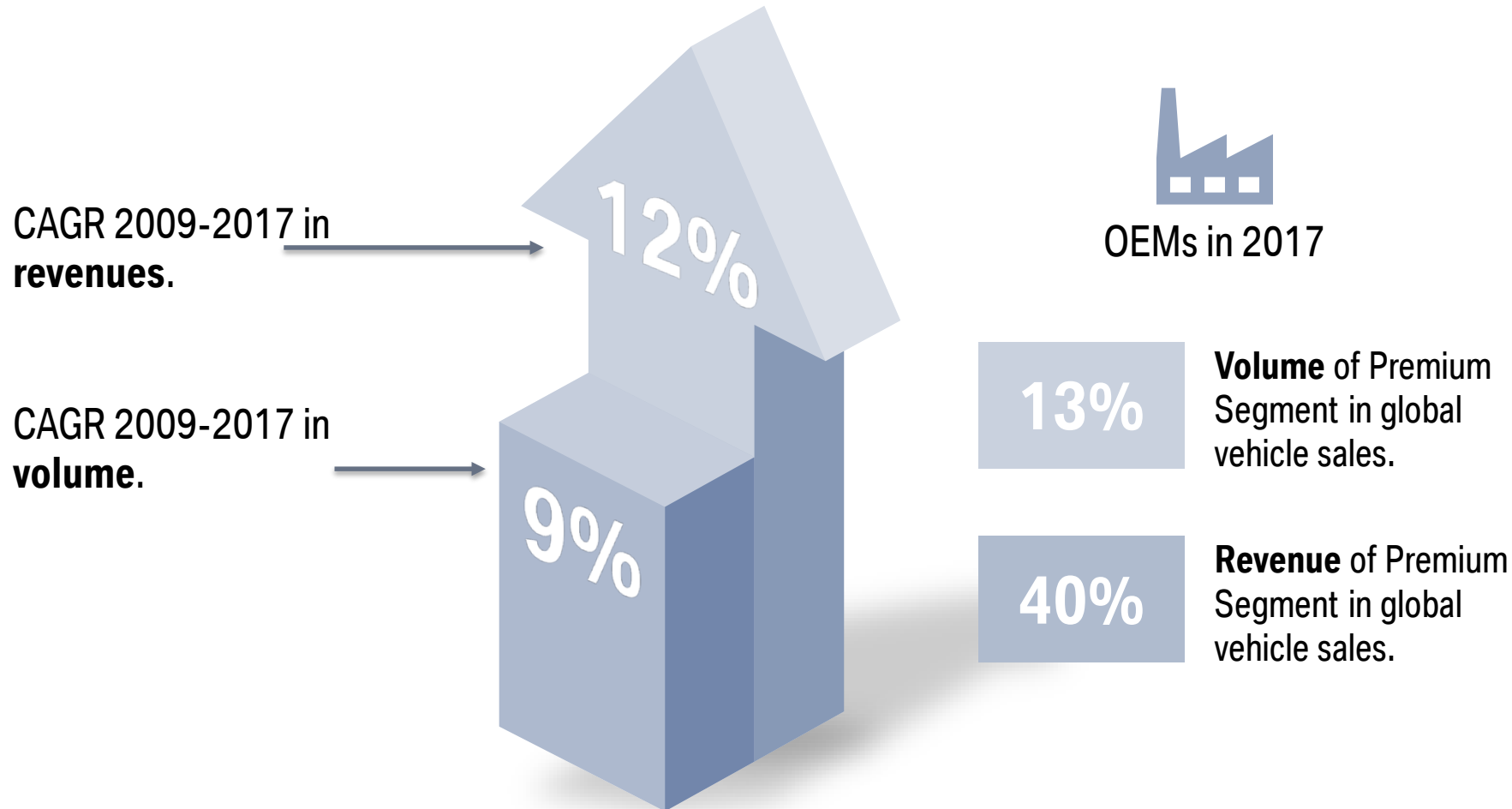
- **Volvo will go electric in October:** Volvo Cars announced the presentation of its first electric model –the electric version of the XC40– for 16 October this year. Although Volvo has not yet given details about the drive, they do mention the safety architecture of the electric motor, which they claim will be „one of the safest cars on the road

ABOUT THE STUDY

- “The New Realities of Premium Mobility” by McKinsey Center for Future Mobility. November, 2019.
- Customer insights come from McKinsey “Future of Automotive” consumer survey, carried out during 2018, **with more than 2000 consumers.**
- Industry insights come from McKinsey “Future of Automotive” expert survey, carried out during 2018, with insights from interviews with more than **200 industry experts.**
- The study centers around 3 main markets: **United States, China, and Europe.**

PREMIUM MARKET SEGMENT OUTLOOK.

GLOBAL DEVELOPMENT OF PREMIUM SEGMENT. 2009 - 2017



Enablers of Growth

- Proliferation of premium vehicle offers.
- Increasing consumer wealth in key regions (U.S., China, and Europe)
- Wide variety of features to appeal to consumer segments with varying taste/financial resources.

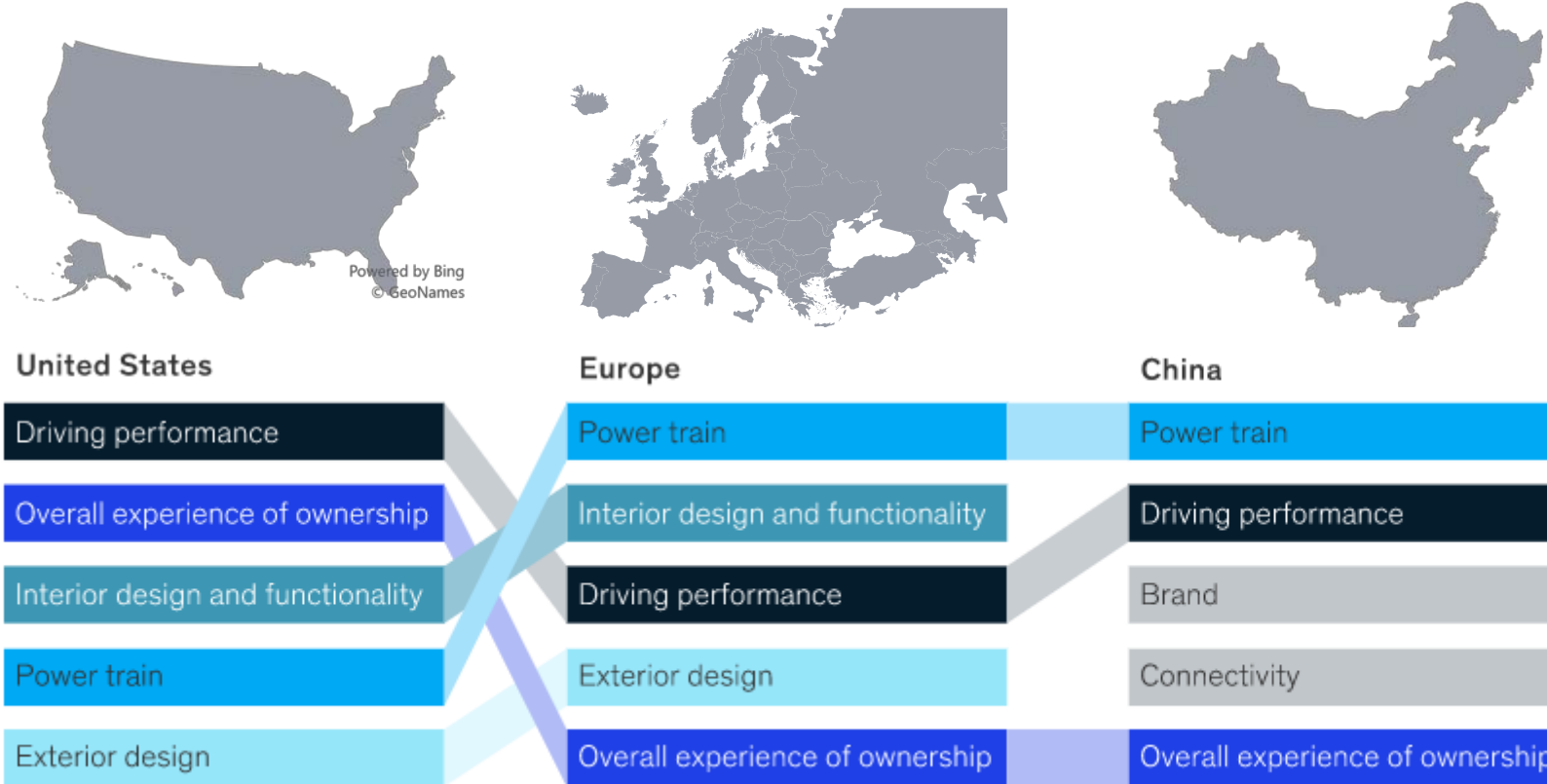
Source: "The New Realities of Premium Mobility". McKinsey & Company. 2018.

5 TRENDS

SHAPING A NEW REALITY IN THE PREMIUM AND HIGH-END AUTOMOTIVE WORLD.

1. NOT ONE SEGMENT: DIVERGENCE ACROSS CHINA, EUROPE, AND THE U.S.

Top 5 most important features for consumers across three main markets*



* Full list of features: powertrain (electric driving range, charging rate, engine technology), driving performance (performance, driving feel, driving technology), functionalities (vehicle connectivity, AI, autonomous driving), styling (exterior styling, interior styling, interior functionality, and space), service (overall experience of ownership), brand image, and reputation.

Source: McKinsey "Future of Automotive" consumer survey 2018.



OEMs historically developed models for a global market.



However, consumers are showing different tastes in the 3 main regions.



China is the only region in which **brand** and **connectivity** are in the top 5.



Consumers in the U.S. are more concerned with **driving performance** while in Europe and China **powertrain** is top.



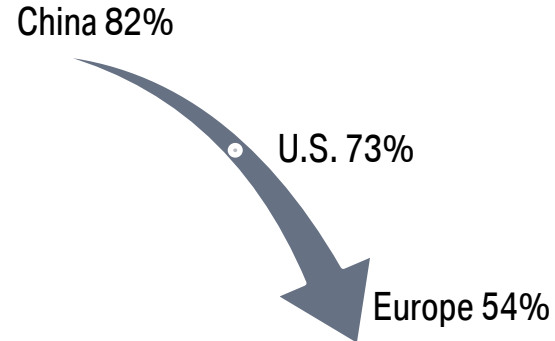
Premium OEMs need to pay attention to the real needs and preferences of consumers in each market to shape their sales strategies.

2. PREMIUM CUSTOMERS DRIVING DIGITAL DISRUPTION.

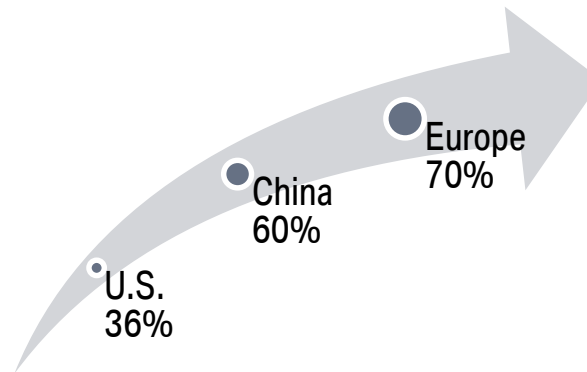
73%

Of Premium customers start their buying online compared to 62% of mass-market customers.

Percentage of Customers that Start their Buying Journey Online.



Percentage of Customers' Willingness to Purchase their Next Vehicle Online.



Higher rate of internet access in wealthier customers. Premium customers spend more time learning about their options.



Premium customers are now expecting more digital services (i.e. maintenance alerts, offers from vehicle's onboard system information, driving recommendations, etc.)

Source: McKinsey "Future of Automotive" Consumer and Expert surveys 2018.

Premium Consumers' Appetite for Shared Mobility Solutions is Growing

20%

Of vehicles purchased in 2025 Will be used for Car-Sharing (approx.)

This trend is fueled by premium customer affinity for new mobility options.

55%

Of Premium customers are willing to supplement private vehicle use with mobility solutions.

5%

Of Premium customers would actually be willing to trade-in their car and use an ODM car sharing service as only mode of transportation.

Premium customers will continue to buy private vehicles and OEMs have an opportunity to participate in alternative mobility offers.

3. THE NEW DIFFERENTIATING FACTOR IN PREMIUM: CONNECTIVITY.

Is Performance Still a Differentiator?



Technical performance is losing its edge thanks to levels of performance in electric vehicles.

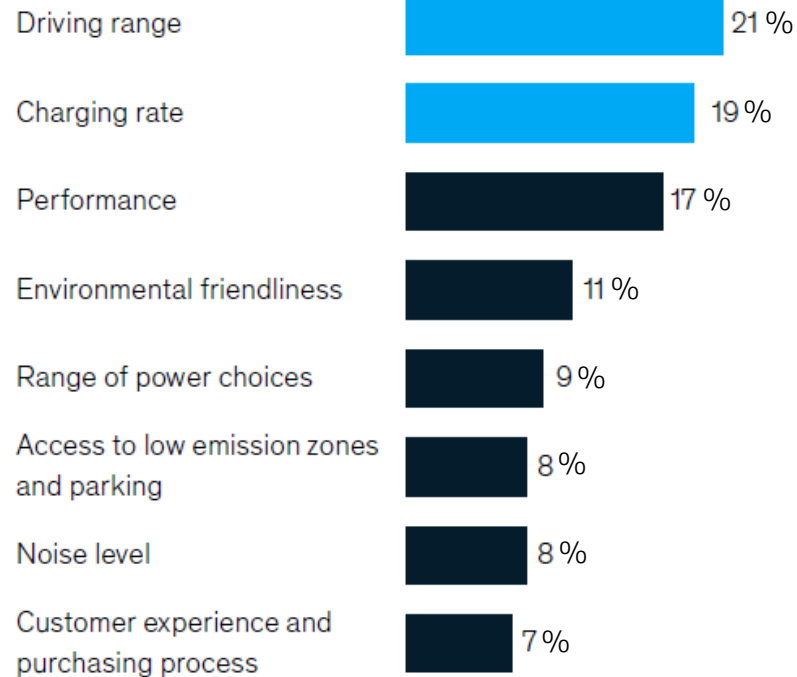


EV Technology is unlocking levels of performance seen only in highest levels of premium vehicles (i.e. acceleration) (average is 4.3 seconds 0-60 mph).



Premium EV customers are most concerned **with driving range** and **battery-charging rate** as the most important aspects of the powertrain.

Which Features do You Value Most in an Electric Vehicle?



Source: McKinsey "Future of Automotive" consumer survey 2018.

Connectivity at the Top of the List.

1/3

Of Premium customers said they would NOT buy a car without connectivity.



Premium customers are more willing to switch allegiance to a brand to get better connectivity.

10%

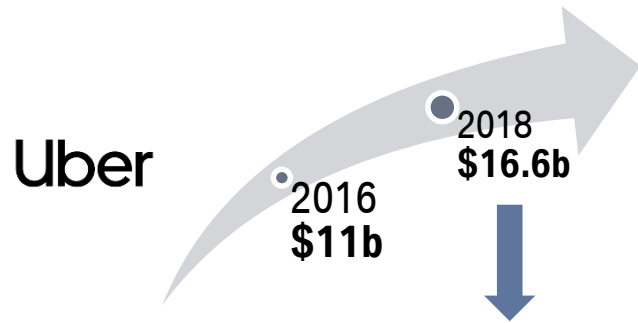
Of OEM revenue will come from Connectivity Services in 2030. (i.e. life road conditions reports, targeted ads, etc.)*

*McKinsey "Automotive revolution—Perspectives towards 2030," January 2016.

4. BRAND REMAINS KING, BUT EVOLVES.

Premium OEMs Will Need to Rethink Brand Power

Uber's Brand Value 2016-2018



Uber's 2018's value surpassed Brand values of Audi and Porsche!*



 Audi's Value in 2018 was = \$12.2b*

 Porsche's Value in 2018 was \$10.7b*

45%

Of Premium customers who use shared mobility services rate **Vehicle Brand** important in on-demand car sharing.

41%

Rate it important in on-demand chauffeuring services.

Opportunity for OEMs to capture value in the mobility solutions space!

Premium OEMs need to be careful not to dilute the Brand by increasing Brand complexity.

Adding more products, services and partnerships need to go hand in hand with their Brand reputation.

*According to Interbrand 2018 Brand Rankings. <https://www.interbrand.com/best-brands/best-global-brands/2018/ranking/porsche/>

5. DRIVING DISRUPTIVE FORCE: REGULATION.



Up to 2023, regulations on emissions and autonomous vehicle technology will have the greatest impact.



Opportunity for OEMs better prepared to address regulatory challenges.



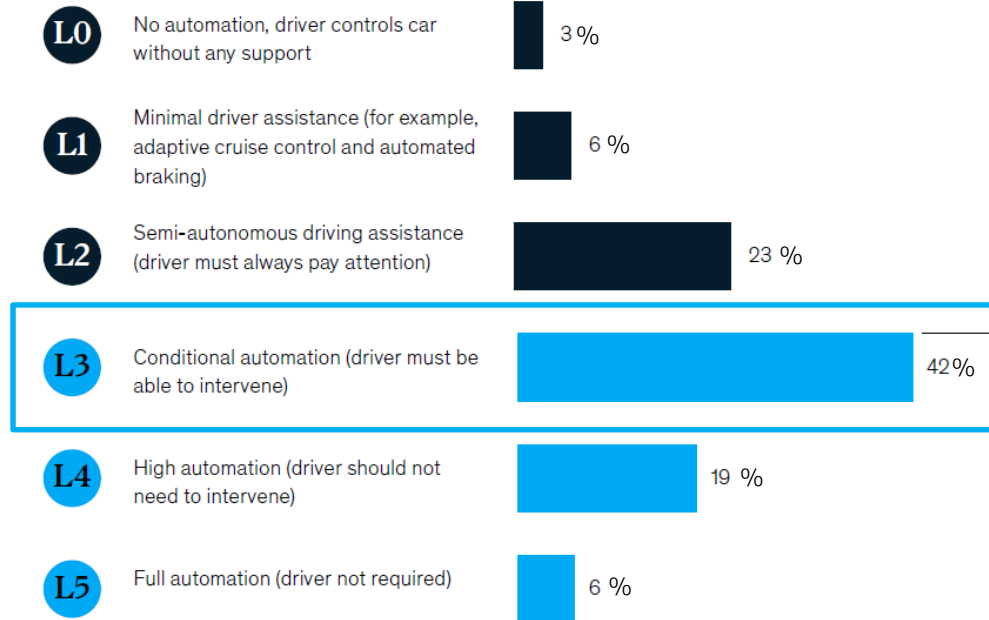
Premium OEMs better positioned to comply with regulations due to customers willingness to pay.

The Rise of Autonomous Vehicles

54% Of customers worldwide are willing to pay premium for automated driving capabilities.

70% Of automotive experts predict that by 2025, the level of **minimum** autonomy requirements for customers in the premium and luxury segments will be **L3**.

What level of automation do you believe will be the minimum requirement by consumers for vehicles in your segment by 2025?




~70

Source: McKinsey "Future of Automotive" executive and expert survey 2018.

RECOMMENDATIONS FOR PREMIUM PLAYERS.

TO PREPARE FOR THE PREMIUM MARKET OF THE FUTURE, OEMs SHOULD TAKE SEVERAL STRATEGIC ACTIONS:

3. STRENGTHEN AND DIFFERENTIATE THE BRAND


 Premium OEMs need to overinvest into their brands and translate their **brand essence into all elements** of their offer.


 Implement a **rigid brand monitoring and management** to keep the Brand promise across offers and channels.


2. BE AGILE

 Reduce time to market and adapt to changing customer preferences.


1. KNOW AND EMBRACE YOUR CUSTOMER


 Find new ways to address customer needs without adding massive product complexity.


 Shift view from sheer car manufacturer to become an **end-to-end premium mobility provider**.

 Re-think relationship with customers: from one-time transactions, to lifetime relationship with continuous interactions.

4. BECOME A PREMIUM MOBILITY PROVIDER

 Focus on service-based business models that provide access to a **pool of vehicles**.

 Leverage the desirability of the OEM's products and provide a premium experience.

 Generate distinctive insights about customer behaviors through advanced analytics to discover **high-potential services and discover how to monetize them**.